

Message Text

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ACTION AF-10

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C O N F I D E N T I A L ADDIS ABABA 3636

E.O. 11652: GDS
TAGS: EINV, ET
SUBJ: COMPENSATION ISSUE DISCUSSED WITH MINISTER OF COM-
MUNICATIONS AND TRANSPORTATION

SUMMARY: MINISTER OF COMMUNICATIONS AND TRANSPORTATION TOLD
AMBASSADOR ON AUG 17, 1978 THAT HE WAS CONCERNED WITH COM-
PENSATION ISSUE WHICH WAS AFFECTING HIS EFFORTS FIRST TO
PURCHASE NEW BOEING AIRCRAFT AND SECOND, TO OBTAIN FINANC-
ING FOR THE PURCHASE. HE RECENTLY DISCUSSED WITH COMPENSA-
TION COMMISSION PROBLEM OF NATIONALIZED PRIVATE LIGHT AIR-
CRAFT IN ATTEMPT TO HAVE CLAIMS SATISFIED, BUT WAS TOLD
THAT COMMISSION WAS TOO IMMERSED WITH LARGE CLAIMS AT THE
MOMENT AND WOULD GET AROUND TO SMALL CLAIMS IN TIME. FOLLO-
WING LONG AND FRIENDLY TALK WITH AMBASSADOR, MINISTER STATED
THAT HE WOULD TAKE UP SMALL AIRCRAFT ISSUE AGAIN IN RENEWED
EFFORT TO RESOLVE PROBLEM. END SUMMARY.

1. ON AUG 17 AMBASSADOR AND ECONOMIC/COMMERCIAL OFFICER
PAID COURTESY CALL ON YUSUF AHMED, MINISTER OF COMMUNICATIONS
AND TRANSPORTATION. YUSUF MADE UNUSUAL AND UNEXPECTED GESTURE
IN GREETING AMBASSADOR WITH BIG ABRAZO, AND THE ENTIRE HOUR
AND A HALF MEETING WAS EXTREMELY CORDIAL AND FRANK. YUSUF
GAVE A WIDE RANGING AND CANDID VIEW OF HIS MINISTRY, WHICH
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ENCOMPASSES TEN SEMI-AUTONOMOUS AGENCIES (SUBJECT OF SEPTELS).
DURING DISCUSSION OF ONE OF THESE AGENCIES, ETHIOPIAN AIR-
LINES (EAL), YUSUF GAVE INSIDE VIEW OF BATTLE WITHIN CABINET
OF MINISTERS TO WIN APPROVAL FOR PURCHASE BY EAL OF COMMER-
CIAL AIRCRAFT FROM BOEING RATHER THAN FROM THE SOVIETS.

2. ACCORDING TO THE MINISTER, TECHNICAL STUDIES COMPARING

THE AIRCRAFT OFFERED BY BOEING AND THE SOVIETS CONVINCED EVEN THE CABINET OF MINISTERS THAT BOEING WAS THE RIGHT CHOICE. THE DISADVANTAGES OF THE SOVIET AIRCRAFT INCLUDED EXTREMELY HIGH FUEL CONSUMPTION (PROMPTING HIS COMMENT THAT THE SOVIETS SEEMED TO SUFFER NO SHORTAGE OF PETROLEUM SUPPLIES), THE NEED FOR ADDITIONAL FLIGHT CREW MEMBERS TO OPERATE THE AIRCRAFT, THE NEED TO RETURN THE AIRCRAFT TO RUSSIA FOR ALL MAINTENANCE, AND THE FACT THAT IT IS TECHNICALLY OUTMODED IN MANY RESPECTS. HE ADDED THAT MAINTENANCE OVERHAUL IS NECESSARY APPROXIMATELY EVERY 6 MONTHS AND THAT THE BLOCK MAINTENANCE TECHNIQUE USED BY THE SOVIETS IS ARCHAIC.

3. EVEN AFTER ADMITTING THE ADVANTAGES OF BUYING BOEINGS, SOME MINISTERS WITHIN THE CABINET CONTINUED TO ARGUE IN FAVOR OF PURCHASING FROM THE SOVIETS ON POLITICAL GROUNDS. YUSUF STATED THAT ONE ARGUMENT USED WAS THE DANGER THAT THE US MIGHT CUT OFF SUPPLIES OF SPARE PARTS. ANOTHER ARGUMENT WAS THAT REFUSAL BY EXIM TO FINANCE BOEING SALE IS A CLUE TOWARD ACTUAL US POLICY VIA-A-VIS ETHIOPIA. IT WAS NOTED THAT ITALY, DESPITE MUCH LARGER COMPENSATION CLAIMS, HAD RECENTLY GRANTED FINANCING ON THE ORDER OF US\$60 MILLION FOR THE PURCHASE OF FIAT TRUCKS. DESPITE ALL ARGUMENTS, HOWEVER, APPROVAL WAS FINALLY GIVEN TO GO FORWARD ON THE BOEING PURCHASE.

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4. IN ATTEMPT TO STRENGTHEN HIS CASE IN SUPPORT OF THE BOEING PURCHASE, YUSUF STATED THAT RECENTLY HE PERSONALLY HAD DISCUSSED WITH THE COMPENSATION COMMISSION THE CLAIMS ARISING FROM THE NATIONALIZATION OF SMALL AIRCRAFT BELONGING TO AXUM AND PRIVATE AMERICAN OWNERS, KNOWING THAT RESOLUTION OF THESE CLAIMS WOULD ASSIST HIM IN OBTAINING EXIM FINANCING. (EAL HAVING BEEN HANDED CONTROL OF THESE AIRCRAFT, HE HAS MORE THAN A PASSING INTEREST IN THE MATTER.) THE COMMISSION'S RESPONSE TO HIS INITIATIVE WAS TO CLAIM THAT IT WAS FULLY OCCUPIED WITH LARGE CLAIMS SUCH AS HVA (THE DUTCH OWNED SUGAR COMPLEX) AND FOR THE MOMENT IT HAD NO TIME TO CONSIDER SUCH SMALL CLAIMS. HE ALSO HAD RAISED ISSUE OF SETTling SMALL AIRCRAFT IN CABINET MEETING ON BOEING PURCHASE, BUT TO NO AVAIL.

5. TOWARD THE END OF HIS TALK WITH AMBASSADOR, YUSUF STATED THAT HE COULD SEE THE BROADER IMPLICATIONS FOR US-ETHIOPIAN RELATIONS OF PROGRESS IN RESOLVING THE COMPENSATION ISSUE, AND FOR THAT REASON PLUS HIS CONTINUED HOPES TO OBTAIN EXIM FINANCING FOR THE BOEING PURCHASE, HE WOULD AGAIN APPROACH COMPENSATION COMMISSION IN ATTEMPT TO WORK OUT SOME SOLUTION ON THE PRIVATE AIRCRAFT CLAIMS. HE INDICATED THAT HE WOULD

CONTINUE TO WORK ON OVERALL COMPENSATION ISSUE AND URGED
AMBASSADOR TO DO SO TOO. AMBASSADOR AGREED WHOLEHEARTEDLY.

6. COMMENT: FROM HIS STATEMENTS AND MANNERISMS MINISTER
YUSUF COULD BE TAKEN FOR A PRACTICAL US BUSINESSMAN. HE
APPEARED GENUINELY TO WANT CLOSE TIES WITH THE US, ESPECI-
ALLY BUSINESS TIES, AND HE CONTINUOUSLY DISPARAGED THE BUSI-
NESS METHODS OF THE SOVIETS AND EAST GERMANS, WHICH, HE PRO-
FESSED, WERE BEYOND HIS COMPREHENSION. THE MINISTER LOOKS
TO BE AN ENTHUSIASTIC (AND HOPEFULLY INFLUENTIAL) ALLY IN
TRYING TO GET THE COMPENSATION COMMISSION TO ACT ON THE
PRIVATE AIRCRAFT OWNERS' CLAIMS.
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